PROVINCE OF SASKATCHEWAN

2011

ANNUAL REPORT

NORTHERN MUNICIPAL TRUST ACCOUNT (NMTA)

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Letters of Transmittal

Minister's Letter of Transmittal

The Honourable Vaughn Solomon Schofield
Lieutenant Governor of Saskatchewan

Your Honour:

It is our privilege to submit to you the Annual Report of the Northern Municipal Trust Account for the fiscal year ending December 31, 2011.

Respectfully submitted,

Darryl Hickie
Minister of Municipal Affairs

Deputy Minister's Letter of Transmittal

The Honourable Darryl Hickie
Minister of Municipal Affairs

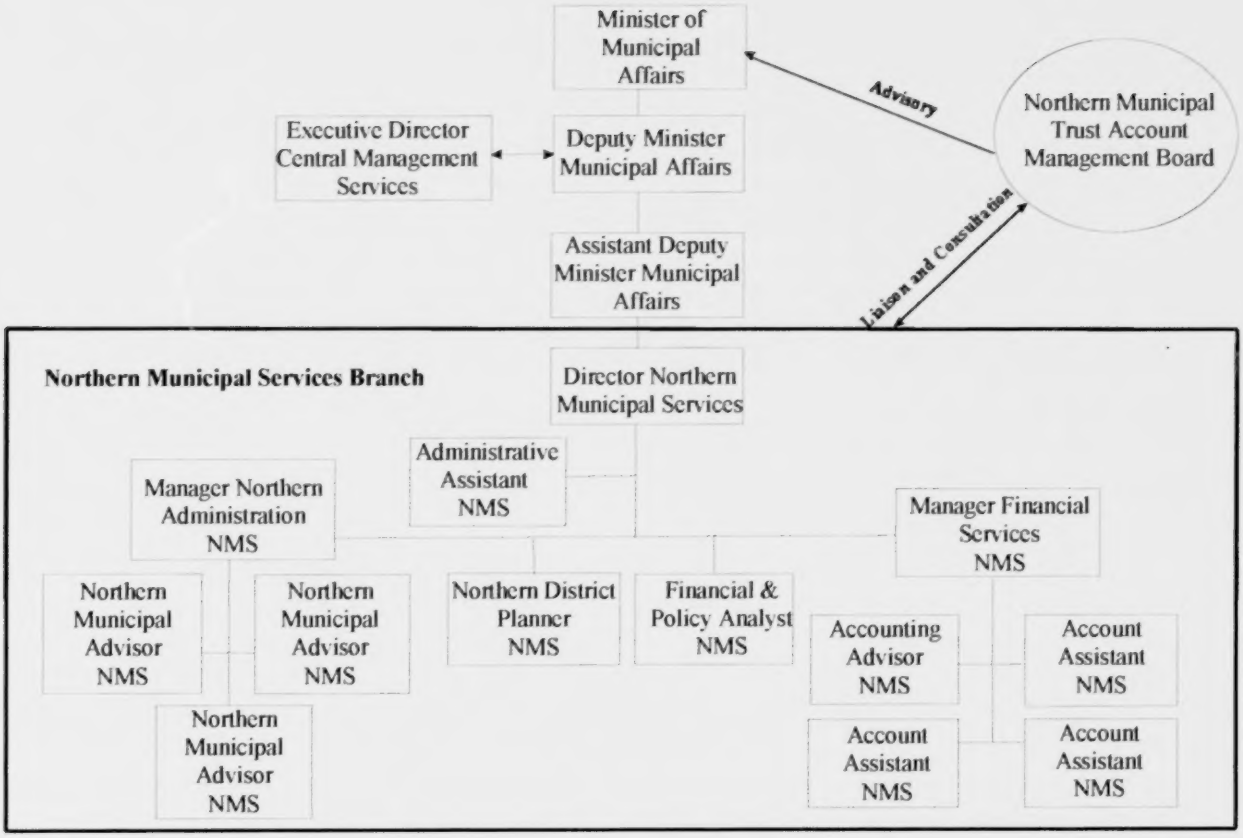
Dear Minister:

I have the honour of submitting the Annual Report of the Northern Municipal Trust Account for the fiscal year ending December 31, 2011.

Respectfully submitted,

S. P. (Van) Isman
Deputy Minister, Municipal Affairs

Organizational Chart



Overview

The Northern Municipal Trust Account (NMTA) is a special account established under *The Northern Municipalities Act, 2010*. The purpose of the NMTA is to provide for the administration of funds and property held by the Minister of Municipal Affairs for the following purposes:

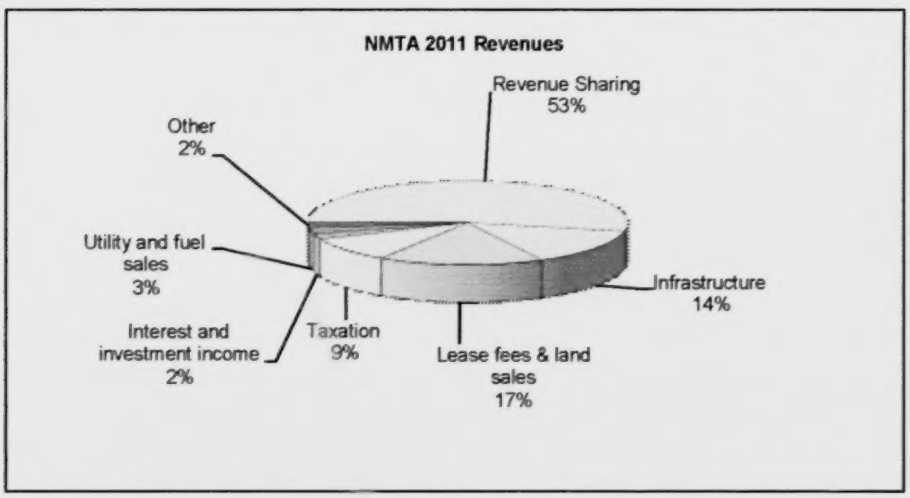
- to assist northern municipalities in providing quality services to their residents by funding operating and capital needs, and to
- to administer and fund the municipal functions of the Northern Saskatchewan Administration District (NSAD).

The NMTA provides programs and services to the 2 towns, 11 villages, 11 hamlets in the NSAD, as well as the 11 settlements, 14 resort subdivisions, and the unorganized portion. The 250,000 square km of the NSAD had a 2011 population of 36,557 (17,861 on reserve, 17,004 in municipalities and 1,692 in the NSAD).

In 2011, the NMTA completed the year with a surplus of $26.3 million. Total revenues were $28.5 million and expenses were $34.8 million. At the end of the year the NMTA has net financial assets of $21.1 million.

NMTA revenues were received primarily from the following:

- transfers from the general revenue fund and other federal provincial infrastructure programs;
- own source revenue from lease fees, land sales, property taxes and penalties collected on land in the NSAD;
- interest on NMTA monies deposited in financial institutions; and
- utility and fuel sales.

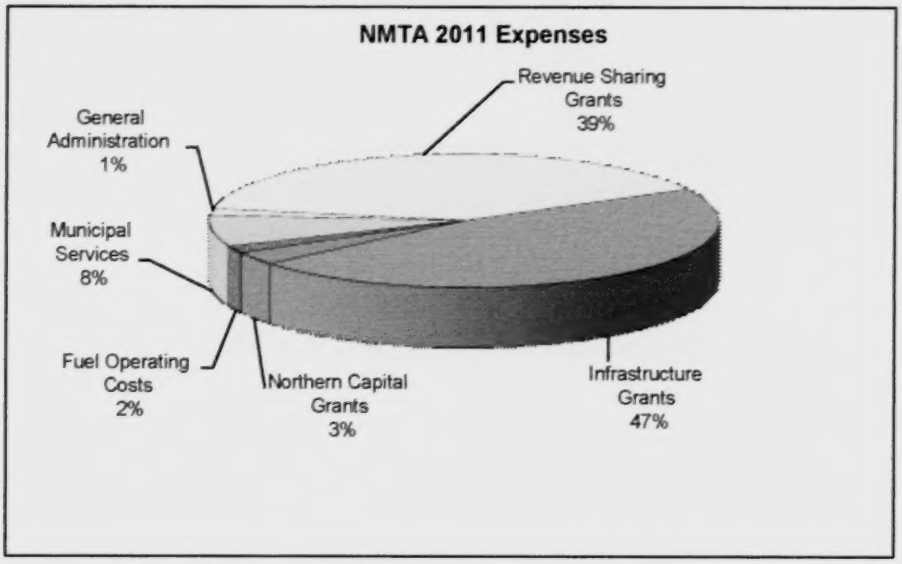


NMTA expenses primarily relate to the following four important municipal programs:

- revenue sharing program;
- water and sewer program;
- northern capital grant program; and,
- northern residential subdivision program.

Other expenses include:

- fuel operating costs;
- general administration; and
- municipal operations.



Minister's Mandate

The Northern Municipalities Act 2010 (the Act) provides that the purpose of the NMTA is to provide for the administration of funds and property held by the minister for the following purposes:

(a) the benefit of northern municipalities generally;
(b) the administration of the district as a northern municipality; and,
(c) the disbursement of revenues derived from collection of taxes and other revenues on behalf of northern hamlets and the district, including northern settlements and resort subdivisions.

The Minister functions as the municipal council for the Northern Saskatchewan Administration District (NSAD), including 11 northern settlements, 14 resort subdivisions including the northern dispositions (unorganized portion), and collects property taxes in northern hamlets. The minister consults with the local advisory committee in each settlement and cabin owners associations in many of the recreational subdivisions.

2011 Highlights

Northern Water and Sewer Program

The Northern Water and Sewer program provided $15.9 million in funding to upgrade water and sewer systems in 16 northern communities, ensuring safe drinking water and enabling the communities to accommodate growth and development. The projects included the completion of the regional water system serving the Town of La Ronge, the Northern Village of Air Ronge and the Lac la Ronge Indian Band.

Planning for Growth North

In 2010, the NMTA received $200,000 in funding from the Federal Gas Tax program to deliver a Planning for Growth North program. The program hired two community planners to work with northern municipalities over a 2-year period to develop and implement official community plans (OCP) and zoning bylaws (ZB) for those participating communities. The NMTA contributed $100,000 of its own funds towards this initiative. Delivery of this program will enable northern municipalities to effectively plan for growth and development.

In 2011, the two planners prepared 12 OCPs and ZBs. Five were approved and adopted by the municipalities and 7 are at various stages of completion.

2011 Performance

Sustain Economic Growth for the benefit of Saskatchewan people, ensuring the economy is ready for growth and positioning Saskatchewan to meet the challenges of economic and population growth and development.

Engage municipalities in increasing capacity for economic development

Results:

Update the Northern Revenue Sharing grant (NRS) to fulfill the commitment for municipal revenue sharing to provide municipalities with a sustainable and predictable revenue source that grows with the economy.

The Northern Revenue Sharing Grant program provides unconditional funding to northern municipalities and settlements to assist in meeting their annual administrative and operational needs.

In 2011-12, the northern pool was increased to $15.176 million. The NMTA Management Board recommended allocating $100,000 from the pool to assist with northern capacity development. The Northern Municipal Trust Account used $87,300 of its own funding for transition funding.

Northern Revenue Sharing Grant – Unconditional
(thousands of dollars)

Actual Grant Payments	2006	2007	2008	2009	2010	2011
Towns	799	1,020	1,144	1,468	1,444	2,207
Northern villages	5,203	5,846	5,997	7,130	6,843	8,342
Northern hamlets	1,268	1,318	1,787	2,797	2,778	3,050
	7,270	8,184	8,928	11,395	11,065	13,599
Northern settlements	1,139	1,053	1,057	1,138	1,193	1,445
Flin Flon boundary agreement	38	35	36	36	39	40
Total	8,447	9,272	10,021	12,569	12,297	15,084

Increase municipal capacity through programs and services and joint initiatives with the municipal sector, including the Northern Local Government Administrators' Certification program

To assist in addressing concerns over the training, recruitment and retention of qualified municipal administrators, a Northern Local Government Administrators Certification program was implemented in 2008. The program is run by Northlands College and is affiliated with the University of Regina. Four administrators have now received their certification. Eight students have graduated the University of Regina's Northern Local Government Administration program and 11 are currently enrolled in the program.

Early in 2011, the International Center for Northern Governance and Development will present a report outlining its recommendations for a capacity building plan for the 24 municipalities in the NSAD.

The report from the International Center for Northern Governance and Development was completed and discussion took place on methods to implement it, but no consensus was reached on best method to implement the recommendations. Funding for capacity building was rolled over to 2012.

Explore the concept of establishing regional municipal service districts.

Some limited discussions have taken place. The concept was raised at the Municipal Sector Strategic Plan northern table meeting and with northern mayors; however no progress has been made on this by year end.

Protect against the NMTA's financial risks by ensuring:

- ***assets are inventoried and inspected on a regular basis;***
- ***appropriate insurance is maintained;***
- ***costs are monitored; and,***
- ***local mill rates are adjusted when required to address increased operational costs.***

An asset inventory in maintained on an ongoing basis. Mill rates were increased in 3 resort subdivisions to address improvements to solid waste management. An insurance policy is maintained on all Northern Municipal Trust Account assets.

Assist municipalities in addressing infrastructure needs to support economic growth

Results:

Develop a northern municipal infrastructure strategy based on information collected in the tangible capital asset review and 2010 water and sewer needs assessment – update northern revenue sharing formula to distribute amount to communities.

Contracts were signed with Associated Engineering to update data collection templates and to bring data current to year end 2011. The Policy Development Branch of Municipal Affairs is working on a northern infrastructure study based on the data. The report was only in draft at the end of 2011.

The use of defined servicing agreements to ensure appropriate infrastructure development.

Only one new subdivision development took place that required a servicing agreement in 2011.

Deliver the Northern Residential Subdivision Development program revolving fund of $6 million to help meet increasing demands for new residential lots.

The Northern Residential Subdivision Development program is a $6 million revolving fund assisting communities to meet needs for serviced residential lots. Most northern municipalities do not possess the financial resources required to develop new residential subdivisions. Therefore, the northern municipality provides the land at no cost to the NMTA who incurs the land development costs. The NMTA will be the owner of the lots, with the intention of selling the lots within a 2-3 year period. In addition, the program requires that the municipality sign an agreement to repay the development costs over a 5-year period. These agreements and lot sales ensure the NMTA will fully recover the costs of lot development. Any excess funds are returned to the community.

In 2011, the program expended $543,161 in Air Ronge and La Ronge, in the development of a 30 and 31 lot subdivision in the respective community. Stony Rapids was approved for a pre-feasibility study which identified opportunities for infill development and in 2012 will investigate other opportunities and costs.

Previous subdivision development occurred in the communities of Cumberland House, Denare Beach and Pinehouse. These communities have completed their obligations under the program and 87 lots were transferred back to the municipalities. At the end of 2011, a total of 60 lots remain owned by the NMTA, with 31 in development. Currently, $3.8 million remains uncommitted in the revolving fund.

Continue to deliver the Northern Water and Sewer (NWS) program while ensuring:

- Phase 2 projects under the NWS, with an estimated cost of $0.4 million, will be completed in 2012.

- Phase 3 projects are expected to be completed in 2015 at a cost of $45.9 million. Phase 3 projects, with an original estimate of $40.7 million, began in 2009.

The Northern Water and Sewer program continues to address infrastructure needs in the north:

- Phase 2 projects for 2011 consisted of 11 projects, all of which are still in the construction phase. To date, $13.2 million has been spent with $310,827 spent in 2011.

Phase 2 Source of Funding (000's)

Federal	Band	Provincial	Municipal	NMTA	Total
6,614	4,369	2,394	416	8,431	22,224

- Phase 3 of the Northern Water and Sewer program began in 2008, with 17 projects prioritized in 13 communities at an estimated total cost of $41.2 million. In 2009, 1 project was completed. Early in 2011, 3 non-emergent projects were deferred indefinitely due to cost over runs on other projects. Of the remaining 10 projects, 7 are in the construction phase, with 3 remaining to tender in 2012. All projects are expected to be completed by 2015. In 2011, $15.62 million was spent on phase 3 projects.

Phase 3 Source of Funding (000's)

Federal	Band	Provincial	Municipal	NMTA	Total
7,509	7,042	7,509	394	23,475	45,929

Northern Water and Sewer Program
(thousands of dollars)

	2007	2008	2009	2010	2011
Towns	359	1,085	4,361	3,745	123
Northern villages	4,663	3,002	1,562	1,856	13,819
Northern hamlets	44	169	222	325	1,776
General expenditures	201	215	197	168	211
	5,267	4,471	6,342	6,094	15,929
Northern settlements	81	181	185	10	6
Total	5,348	4,652	6,527	6,104	15,935

Provide financial and technical assistance to northern communities for the construction or upgrading of municipal facilities and for the acquisition of municipal equipment through the Northern Capital Grants program.

The Northern Capital Grant program supports northern municipalities and settlements by providing capital funding for acquiring, constructing or upgrading municipal facilities, furniture, fixtures, and equipment. The Northern Capital Grant program is a five-year $7.2 million program expiring March 31, 2013. In 2011, the program expended a total of $1.26 million on 31 projects in 14 communities. The program has expended a total of $4.4 million since April 1, 2008.

Northern Capital Grants Program
(thousands of dollars)

Grant Payments	2007	2008	2009	2010	2011
Towns	371	204	348	109	481
Northern villages	780	838	977	1,251	597
Northern hamlets	58	371	133	34	30
	1,209	1,413	1,458	1,394	1,108
Northern settlements	101	150	30	80	156
Total	1,310	1,563	1,488	1,474	1,264

Renew the Circuit Rider program in order to assist communities and the NMTA in ensuring water and sewer systems are being run efficiently and adequately maintained.

The Circuit Rider program assists communities and the NMTA in ensuring the water and sewer systems are being run efficiently and adequately maintained. Each year, two visits are made to all 31 northern communities with water and sewer systems to provide training and technical assistance to the operator. Reports on the operations are prepared on each community. Contract expenditure in 2011 was $315,000. The Circuit Rider program has been in existence since 2003 and its success has contributed to the reduction in the Northern Emergency Water and Sewer program claims.

In 2011, an RFP was posted to extend the program for a further 2 years. Two submissions were received, and the contract was awarded to ATAP following review of the submissions.

Support effective community planning

Results:

Planning for Growth North program will be continued to assist northern municipalities to develop long range community plans. The program relates to the creation of official community plans (OCP) and zoning bylaws (ZB)and their subsequent implementation.

In 2010, the NMTA applied for and received $200,000 in funding from the Federal Gas Tax program to deliver a Planning for Growth North program. The program was initiated in August 2010 and is planned to run until August 2012. Two community planners were hired to work with northern municipalities over a 2 year period in developing and implementing OCPs and ZBs to guide their growth and development. The NMTA contributed $100,000 of its own funds towards this initiative. Twenty-seven northern communities expressed interest in participating in the program. The community planners met with 12 communities in 2011. Five OCPs and ZBs were completed and the other 7 are at various stages of completion.

Increased applications for multiple-lot recreation developments require the provision of services such as roads, waste management and sewage disposal; these can be accommodated through service agreements with the proponent of the development.

One servicing agreement was signed for a new subdivision.

Work on land use planning initiatives with the Ministries of Environment and First Nations and Métis Relations, communities and First Nations to ensure appropriate service agreements are in place for new developments.

As noted above, work continues with the Lac la Ronge Indian Band to implement in the Lac La Ronge area official community plan and zoning bylaw. In addition, the NSAD continues liaison with First Nations on the Treaty Land Entitlement selections in the NSAD and northern communities.

Secure Saskatchewan as a safe place to live and raise a family where people are confident in their future, ensuring the people of Saskatchewan benefit from the growing economy.

Enable municipalities to achieve vibrant, safe, healthy communities

Results:

In the event of unforeseen problems which threaten the safe and efficient operation of community water and sewer systems, the Emergency Water and Sewer program provides northern communities access to funding for timely and efficient emergency repairs to their water and sewer facilities.

The Northern Emergency Water and Sewer program assists northern municipalities and settlements with emergency funding in the event of unforeseen problems which threaten the safe and efficient operation of the community's water and sewer systems.

In 2011, emergency projects were approved at Air Ronge and Ile a la Crosse. In addition to those projects, work continued on prior year projects in Pinehouse, and Denare Beach. In the case of Denare Beach, the municipality prepaid a large portion of the project cost resulting in the negative (bracketed) figure for 2011.

Emergency Water and Sewer Program
Program Expenditures
(thousands of dollars)

	2007	2008	2009	2010	2011
Northern villages	271	37	7	173	(10)
Northern hamlets	118	60	12	16	(1)
	389	97	19	189	(11)
Northern settlements	–	35	–	–	–
Total	424	97	19	189	(11)

Public health and safety risks to the communities and residents from forest fires and other dangers are managed through the development of emergency plans for communities.

Emergency response plans were finalised for 11 northern settlements and are in draft form for resort subdivisions. In addition, each settlement with a water and sewer system has an emergency response manual related to system functions.

Keep Government's Promises and fulfill the commitments of the election, operating with integrity and transparency, accountable to the people of Saskatchewan.

Increase NMTA's financial and operational transparency and accountability

Results:

Support municipal compliance with Public Sector Accounting Board and legislative requirements.

The Northern Municipal Asset Viewer project was completed, and template documents were supplied to municipalities in 2010. Contracts to improve the data collection templates and update the database to year-end 2011 were signed.

Review NMTA mill rates in relation to expenditures and future needs.

The NMTA Management Board has recommended a mill rate increase but a detailed review of impact and need will be completed in 2012 in order to provide information for the 2013 Budget.

Continue promoting accountability and transparency by:

- ***providing quarterly reports to the Ministry;***
- ***preparing an annual plan and budget by December 31;***
- ***timely release of an annual report; and,***
- ***on-going review and update of the Policy and Procedures Manual.***

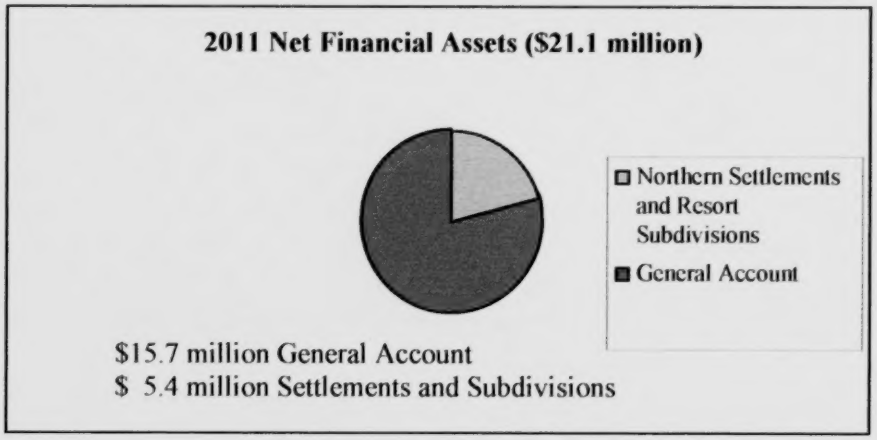
First, second and third quarter reports submitted with second and third quarter reports submitted late. A Lean event was undertaken in December to review and improve the process of preparing the reports.

The 2011 Budget, Strategic Plan and Business Plan were approved on December 31, 2010.

The 2010 Annual Report and financial statements were tabled on April 13, 2011.

Changes made to update Grants policy and procedures effective July 1, 2011.

Performance Measures

Measure	Baseline / Trend Line Information
Net financial assets in the general account do not fall below $6 million	

2011 Net Financial Assets ($21.1 million)
Northern Settlements and Resort Subdivisions
General Account
$15.7 million General Account
$ 5.4 million Settlements and Subdivisions

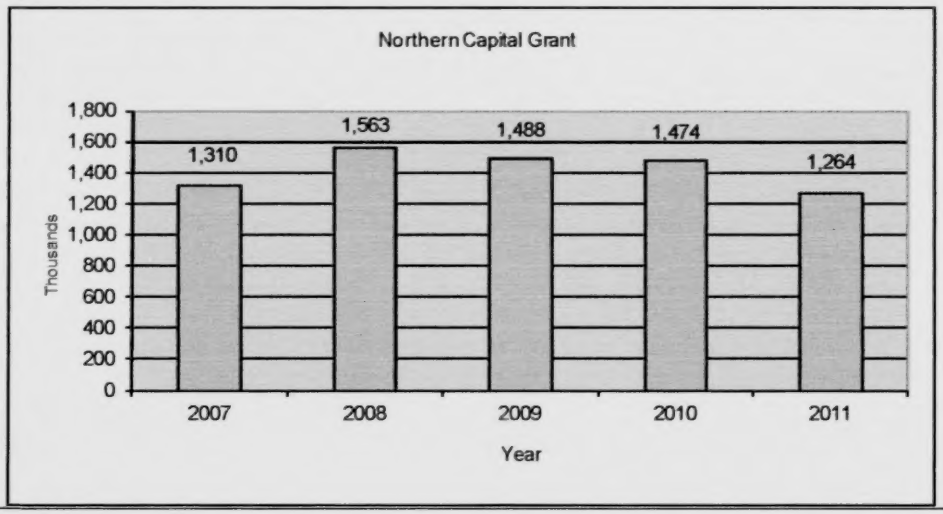
Significance of the Measures

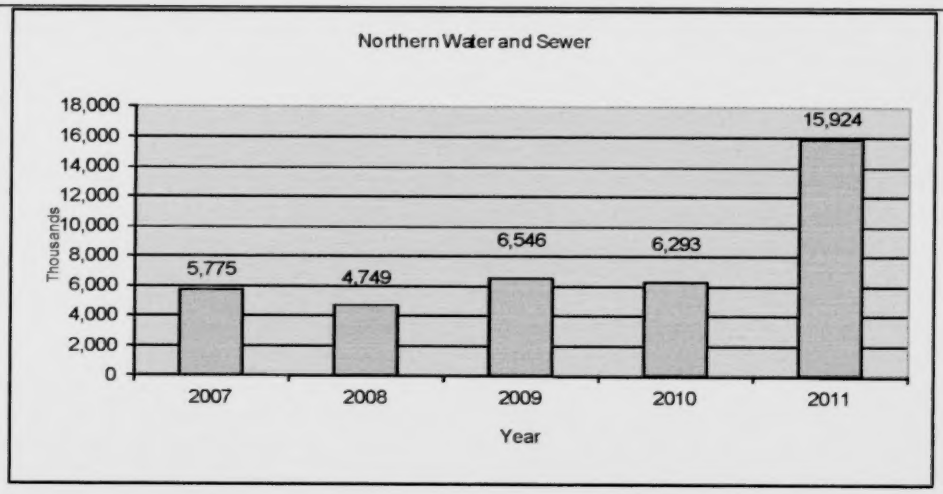
The NMTA planning framework requires the net financial assets of the general account to remain at a minimum of $6 million dollars. This amount is determined based on the required funding for the five-year Northern Capital Grant program, which the NMTA funds with its own source revenues.
In order to ensure the long-term sustainability of the NMTA, a $6 million minimum amount of net financial assets in the general account ensures adequate cash flow to meet financial programming commitments. The NMTA does not have the ability to borrow money to address cash shortages.

Measure	Baseline / Trend Line Information
Internal reports were filed late, financial statements are tabled on time	**Internal quarterly reports were completed and sent to the Assistant Deputy Minister in excess of the existing 21 day period. Existing policy states within three weeks of the end of the quarter. A Lean initiative was undertaken to improve the timeliness and accuracy of the NMTA quarterly and annual reports. A 12 step Action Plan was prepared to identify processes to improve quarterly and year-end reports, year-end financial statements and the Annual Report. Financial statements were tabled on time with no major discrepancies.**

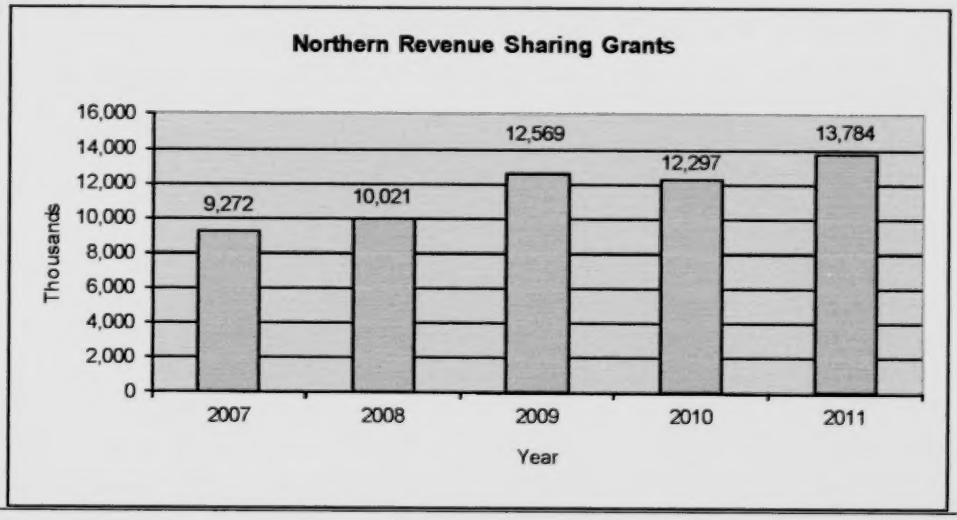
Significance of the Measures

The NMTA is accountable to provide timely and accurate information to the Ministry of Municipal Affairs, the Legislative Assembly and the public.

Measure	Baseline / Trend Line Information
Amount provided to municipalities under the Northern Capital Grant and Northern Water and Sewer Programs	



Program	2011 Projects	2011 Communities	2011 Funding
NCG	31	14	$1.26 million
NWS	26	16	$15.92 million



Significance of the Measures

The Northern Capital Grant and Northern Water and Sewer programs provide funding for infrastructure upgrades and expansion. Northern communities have a high dependence on the Northern Operating Grant to support operations and administration. Local tax bases are very limited and without federal and provincial support many communities would not be able to deliver these services to their residents.

Measure	Baseline / Trend Line Information
Number of lots developed under the Northern Residential Subdivision Development Program, and number of lots sold	

Year	# of Lots Sold	Value
Prior to 2011	32	$573,259
2011	0	$ 0
2012 Target	3	$ 35,496

The 2012 target relates to Ile a la Crosse as their subdivision is complete and residential lots are available for sale.

Significance of the Measures

Development of residential lots is essential to enable northern municipalities to meet housing needs of their residents. Improved housing enhances the quality of life for community residents.

2012 Outlook

The 2012 NMTA consolidated budget projects an overall deficit of $9.3 million. This is projected to decrease the net financial assets in the account to $10.3 million by the end of the year, of which $4.2 million is restricted for use in the northern settlements and resort subdivisions.

Revenue Sharing

The northern revenue sharing pool will increase to $16.6 million for 2012-13, an increase of 9.9%. The northern revenue sharing formula will be used to distribute this amount among the northern communities.

Water and Sewer

Phase 2 water and sewer projects will be completed with $418,486 budgeted for 2012. For Phase 3 water and sewer projects, $12.9 million is budgeted for construction in 2012. The Building Canada Fund has approved a time extension for a number of projects due to weather delays and contractor availability. Some projects are now planned to carry into 2015.

Due to construction cost increases a number of lower priority projects have had to be delayed past 2014. The projects to be delivered will be evaluated on an ongoing basis to ensure critical projects are capable of being completed.

Capacity Development.

It is planned to work with New North to develop and deliver a capacity development program for northern communities in 2012.

Residential Subdivision Development

Evaluation is taking place at Stony Rapids to determine the feasibility and costs of developing added lots in that community. A feasibility study to determine costs of development will be undertaken in Creighton during the year.

Planning for Growth

Planning for Growth North will enter its final year in assisting northern communities to update or develop, and implement their OCPs and ZBs. Five OCPs and ZBs were adopted by northern municipalities in 2011. Seven OCPs and ZBs are currently underway and are at various stages of completion. All seven are expected to be adopted in 2012. Community planners will start the OCPs and ZBs for the remaining 15 communities as time and resources permit. Options for funding to extend the program past 2012 will be investigated.

Tangible Capital Assets and Northern Infrastructure Plan

During 2012 the tangible capital database will be updated to reflect changes to year end 2011. In addition, it is planned to complete *The State of the Northern Infrastructure Report*. As well, the *2010 Water and Sewer Systems Assessments* will be evaluated with the objective of developing long-term needs identification in terms of assets and infrastructure required by communities to accommodate their future growth and development.

Mill Rate Review

As a result of increasing costs of water and sewer projects, the NMTA will initiate a review of the municipal mill rate on the isolated dispositions to determine the effectiveness of increasing the mill rate in 2013 to assist in addressing cost increases.

Northern Capital Grants

The current Northern Capital Grants program concludes on March 31, 2013. In 2012 the program will be evaluated and a determination of renewal of the program, along with any required changes will be undertaken.

Appendix 1

NORTHERN MUNICIPAL TRUST ACCOUNT

Goods and Services

Listed are payees who received $50,000 or more for the provision of goods and services, including supplies, communication, contracts and equipment.

AECOM Canada Ltd	629,284
Associated Engineering	259,745
ATAP Infrastructure	353,325
Bomac Management Ltd	1,354,553
Bullee Consulting Ltd	691,652
GT Ventures	234,415
Hub International Insurance	71,157
J & R Atkinson Excavating	310,635
Kelsey Pipelines Ltd	4,504,272
MDM Trenching & Excavating Ltd	3,481,564
Miners Construction Co Ltd	1,398,919
Points North Freight	835,605
Ritchie Construction Ltd	1,352,780
Tupper's Construction Ltd	386,630
Uranium City Bulk Fuel Ltd	113,662
Wildstone Construction and Eng. Ltd	2,667,767

Personal Services

No payments were made to an individual for salaries, wages, honorariums, etc. which total $50,000 or more.

Payments Made to Related Parties

Listed are related parties who received $50,000 or more for the provision of goods and services, including supplies, communication, contracts and equipment.

SaskEnergy	113,722
Saskatchewan Water Corporation	544,069
Saskatchewan Power Corporation	304,825
SAMA	69,799

Appendix 2

NORTHERN MUNICIPAL TRUST ACCOUNT
Payments Of Transfers

Recipient	Revenue Sharing	Capital Grant	Other
New North			320,000
Towns			
Creighton	930,707		
La Ronge	1,085,512	480,586	
Villages			
Air Ronge	712,863		
Beauval	579,229	51,429	
Buffalo Narrows	877,801		
Cumberland House	634,164	52,200	
Denare Beach	708,822	83,200	
Green Lake	449,558	104,219	
Ile a la Crosse	945,074	99,710	
La Loche	1,201,468	154,274	
Pelican Narrows	371,512		
Pinehouse	659,277		
Sandy Bay	791,663	52,500	
Hamlets			
Black Point	184,191		
Cole Bay	305,022		
Dore Lake	259,845		
Jans Bay	262,340		
Michel Village	305,294	13,703	
Patuanak	274,443	16,173	
St George's Hill	279,248		
Stony Rapids	421,054		
Timber Bay	239,280		
Turnor Lake	195,929		
Weyakwin	255,597		
Settlements			
Bear Creek	142,484	50,000	
Brabant Lake	184,433		
Camsell Portage	27,142		
Descharme Lake	55,695		
Garson Lake	74,360		
Missinipe	176,330	30,000	
Sled Lake	171,584		
Southend	34,287		
Stanley Mission	108,643	50,000	
Uranium City	343,041	25,947	
Wollaston Lake	126,991		
Flin Flon	39,862		

MANAGEMENT'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

As members of management of the Northern Municipal Trust Account, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian public sector accounting standards applied on a basis consistent with that of the preceding year.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

We believe the Northern Municipal Trust Account has a system of internal control adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian public sector accounting standards.

We enclose the financial statements of the Northern Municipal Trust Account for the year ended December 31, 2011 and the Provincial Auditor's report on these financial statements.

S.P. (Van) Isman
Deputy Minister
Municipal Affairs

Keith Comstock
Assistant Deputy Minister
Municipal Affairs

Randy Braaten
Director
Northern Municipal Services

Ken Kowalczyk
Manager, Financial Services
Northern Municipal Services

Regina, Saskatchewan
April 5, 2012

NORTHERN MUNICIPAL TRUST ACCOUNT

FINANCIAL STATEMENTS

For the Year Ended December 31, 2011

Provincial Auditor Saskatchewan

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Regina, Saskatchewan
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Fax: (306) 787-6383
Web site: www.auditor.sk.ca
Internet e-mail: info@auditor.sk.ca

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Northern Municipal Trust Account, which comprise the statement of financial position as at December 31, 2011, and the statements of operations and accumulated surplus, change in net financial assets, and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Northern Municipal Trust Account as at December 31, 2011, and the results of its operations, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Regina, Saskatchewan
April 5, 2012

Bonnie Lysyk, MBA, CA
Provincial Auditor

NORTHERN MUNICIPAL TRUST ACCOUNT
Statement of Financial Position
As at December 31
(thousands of dollars)

	2011	2010
Financial Assets		
Cash	10,780	20,683
Temporary investments	10,561	12,648
Accounts receivable (*note 4*)	8,361	1,509
Inventory for resale	585	378
Total Financial Assets	30,287	35,218
Liabilities		
Grants payable	6,345	4,960
Unearned revenue (*note 5*)	1,584	1,546
Advance payments (*note 6*)	569	1,108
Accounts payable	220	147
Accrued landfill decommissioning (*note 7*)	250	245
Revenues collected for others (*note 8*)	172	185
Total Liabilities	9,140	8,191
Net Financial Assets (*schedule 1*)	21,147	27,027
Non-financial Assets		
Tangible capital assets (*note 9*)	5,160	5,540
Prepaid expenses	45	45
Total Non-financial Assets	5,205	5,585
Accumulated Surplus (*schedule 1*)	26,352	32,612

Contractual obligations (*note 13*)

The accompanying notes and schedules are an integral part of these financial statements.

NORTHERN MUNICIPAL TRUST ACCOUNT
Statement of Operations and Accumulated Surplus
For the year ended December 31
(thousands of dollars)

	2011		2010
	Budget *(note 10)*	**Actual**	**Actual**
Revenue *(schedule 1)*			
Transfers			
Northern revenue sharing	15,200	15,176	11,718
Water and sewer	4,007	4,012	2,117
Other transfers	85	195	259
Lease fees	4,053	4,235	4,331
Taxation	2,740	2,694	2,641
Utility and fuel sales	740	756	747
Interest and investment income	561	566	783
Land sales	161	538	637
Other	132	316	164
Total Revenue	27,679	28,488	23,397
Expense *(schedule 1 and note 14)*			
Transfers			
Northern revenue sharing	13,753	13,639	11,104
Water and sewer	14,565	15,919	6,282
Northern capital	1,338	1,108	1,394
New North	320	320	320
Other infrastructure grants	–	–	150
Northern residential subdivision	2,039	543	830
Municipal services *(note 11)*	3,182	2,620	3,723
Fuel operating costs	600	600	597
Bad debt expense	50	39	45
Landfill decommissioning *(note 7)*	2	6	5
Total Expense	35,847	34,794	24,450
Deficit	(8,168)	(6,306)	(1,053)
Accumulated surplus, beginning of year	32,612	32,612	33,699
Prior period errors: accumulated amortization		19	---
Recovery (write down) of accounts receivable		27	(34)
Restated accumulated surplus, beginning of year		32,658	33,665
Accumulated Surplus, End of Year *(schedule 1)*	24,444	26,352	32,612

The accompanying notes and schedules are an integral part of these financial statements.

NORTHERN MUNICIPAL TRUST ACCOUNT
Statement of Change in Net Financial Assets
For the year ended December 31
(thousands of dollars)

	2011	2010
Deficit	(6,306)	(1,053)
Tangible Capital Assets		
Acquisition of tangible capital assets (*note 9*)	(213)	(292)
Amortization of tangible capital assets (*note 9*)	496	507
Write-down of tangible capital assets (*note 9*)	97	--
Net Reduction of Tangible Capital Assets	380	215
Financial Assets		
Prior period errors: accumulated amortization	19	---
Recovery (write down) of accounts receivable	27	(34)
Net Increase (Reduction) of Financial Assets	46	(34)
Other Non-financial Assets		
Increase in prepaid expenses	---	(45)
Net Increase in Non-financial assets	---	(45)
Decrease in net financial assets	(5,880)	(917)
Net financial assets, beginning of year	27,027	27,944
Net Financial Assets, End of Year	21,147	27,027

The accompanying notes and schedules are an integral part of these financial statements.

NORTHERN MUNICIPAL TRUST ACCOUNT
Statement of Cash Flow
For the year ended December 31
(thousands of dollars)

	2011	2010
Operating Activities		
Cash Receipts		
Transfers - General Revenue Fund	16,238	14,995
Leases and land sales	1,661	5,483
Taxes	2,705	2,629
Interest and investments	606	873
Utility and fuel sales	749	723
Advance payment	805	2,870
Other sources	(69)	(28)
Total Cash Receipts	22,695	27,545
Cash Payments		
Transfers	(29,778)	(18,354)
Advance payment used	(1,344)	(1,889)
Northern subdivision development	(507)	(871)
Fuel operating costs	(808)	(340)
Municipal services	(2,051)	(3,153)
Total Cash Payments	(34,488)	(24,607)
Cash (Used for) Provided by Operating Activities	(11,793)	2,938
Capital Activities		
Cash used to acquire tangible capital assets	(213)	(292)
Proceeds from disposal of tangible capital assets and tax title properties	8	10
Cash Used for Capital Activities	(205)	(282)
Investing Activities		
Proceeds from disposal of temporary investments	20,540	115,400
Purchase of temporary investments	(18,445)	(99,600)
Cash Used for Investing Activities	2,095	15,800
Increase (decrease) in Cash	(9,903)	18,456
Cash, beginning of year	20,683	2,227
Cash, End of Year	10,780	20,683

The accompanying notes and schedules are an integral part of these financial statements.

NORTHERN MUNICIPAL TRUST ACCOUNT
Notes to the Financial Statements
As at December 31, 2011

1. Authority and Organization Description

Northern Municipal Trust Account (NMTA), was established by Section 426 of *The Northern Municipalities Act, 2010* (Act). NMTA is administered by the Northern Municipal Services Branch of the Ministry of Municipal Affairs (MA). NMTA administers all revenues relating to the Northern Saskatchewan Administration District (NSAD) and all moneys appropriated by the Legislature for the purposes of northern revenue sharing and other grant programs. NSAD is a geographical area defined under *The Northern Municipalities Regulations*. The NMTA also acts as a municipal operating fund for the unincorporated area in the district, the northern settlements and resort subdivisions.

The Northern Water and Sewer Program provides funding to northern municipalities to develop and install or upgrade water and sewer systems to ensure residents have access to a safe potable water supply.

The Northern Capital Grant Program provides funding to northern municipalities with limited sources of revenue to assist in the construction and upgrade of municipal facilities and equipment.

The Saskatchewan Association of Northern Communities (New North) serves as a liaison between the northern municipalities and MA, and is an advocate voice for northern municipalities. The transfer to New North, on behalf of the northern municipalities and settlements, is to assist them in promoting membership in their association.

The Northern Residential Subdivision Program provides for the development of residential lots. Many of the municipalities in NSAD do not have sufficient tax bases or other sources of revenue necessary to develop a subdivision. Ownership of the developed lots is, by agreement with the municipalities, transferred to NMTA.

Pursuant to the Act, NMTA collects taxes for northern hamlets and northern school divisions. Taxes levied on behalf of northern hamlets and northern school divisions are not considered revenue of NMTA and are not reflected in the Statement of Operations. These taxes are remitted to the respective entities when received.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian public sector accounting standards and reflect the following significant accounting policies:

a) Inventory for resale

Fuel held for resale, by the northern settlement of Uranium City, is valued at the lower of cost, determined on a first in first out basis, and net realizable value.

b) Investments

i) Temporary

Temporary investments are term deposits recorded at cost, which approximates their market value.

ii) Portfolio

Portfolio investments are investments that are not subject to significant influence. They are recorded at cost, and revenue from these investments is recorded as income when receivable.

Athabasca Basin Development Limited Partnership (ABDLP) was established in 2002 to provide employment and economic development in the north. The northern settlements of Wollaston Lake, Uranium City, and Camsell Portage each have a six percent limited partnership interest in ABDLP, at a cost of $100 each. First Nations in the far north hold the remaining interest.

c) Landfill decommissioning and post decommissioning care

The costs to decommission landfill sites and the post decommissioning care are recognized over their estimated remaining lives based on the current land allocation to landfill and usage.

Total estimated costs will be adjusted in the year when events indicating a change is required become known.

d) Tangible capital assets

Tangible capital assets are recorded at cost in the year acquired less accumulated amortization. NMTA's tangible capital asset policy requires items with a cost of $500 or more and a useful life of greater than a year to be capitalized. All costs directly attributable to acquisition, construction, development or betterment are capitalized. Assets are amortized commencing in the year the assets are acquired using the straight-line method over their estimated useful lives as follows:

Buildings	25 years
Machinery and equipment	10 years
Office furniture and equipment	3 – 5 years
Water and sewer infrastructure	25 years
Other	10 years

Tangible capital assets are written down when the asset no longer contributes to NMTA's ability to provide goods and services.

Information regarding the value of roads and infrastructure contributed upon formation of the settlements and recreational subdivisions is not available. These assets are considered to be fully amortized with an insignificant residual value.

e) Revenue

Revenues are recorded on the accrual basis. Government transfers are recognized as revenue in the period during which the transfer is authorized and eligibility criteria are met.

f) Transfer payments

Transfer payments, such as entitlements, grants, and shared cost agreements, are recognized as expenses in the period when the transfer is authorized, the eligibility criteria have been met by the recipient, and a reasonable estimate of the amount can be made.

g) Northern Residential Subdivision Program – land development costs

NMTA incurs land development costs for the Northern Residential Subdivision Program. Under the program, NMTA develops lots for sale to private individuals or organizations. These costs include subdivision design and installation of power, water and sewer services. NMTA expenses these costs in the year the costs are incurred provided it has no firm commitment from prospective buyers.

However, when NMTA has a firm commitment from a prospective buyer it records the related costs as assets on the Statement of Financial Position. NMTA recognizes the sale of developed lots in the year the lots are sold or funds are recovered from the communities where the subdivision exists.

h) Change in Municipal Administration

The NMTA serves in a municipal function in the administration of the northern settlements and resort subdivisions.

Pursuant to sections 71 or 72 of the Act an application by petition may be submitted to the Minister to establish a northern municipality. For a northern settlement or resort subdivision under the administration of the NMTA, the related assets, liabilities, non-financial assets and accumulated surplus are transferred from the NMTA to the municipality as of the date it is established as a separate entity.

Pursuant to sections 73 of the Act, a northern settlement may be dissolved. On dissolution of the northern settlement, the related assets, liabilities, non-financial assets and accumulated surplus are transferred to the NMTA from the northern settlement as of the date it is no longer recognized as a municipality.

j) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures for the year. Actual results could differ from those estimates.

3. Financial Instruments

NMTA's financial instruments include cash, temporary investments, accounts receivable, grants payable, accounts payable and revenues collected for others. The fair value of these instruments approximates the carrying value due to their immediate or short-term nature. The temporary investments are term deposits with a weighted average term to maturity of 106 days (2010 – 199 days) and bear interest ranging from 1.01% to 1.60% per annum (2010 – 1.01% to 5.00%).

4. Accounts Receivable

(thousands of dollars)	**2011**	**2010**
Water and sewer infrastructure	3,543	399
Lease fees receivable	3,585	332
Accrued interest	62	102
Fuel sales receivable	172	166
Receivable from federal government (GST)	294	154
Taxes	14	25
Other	691	331
Total Accounts Receivable	8,361	1,509

NMTA's accounts receivable above are net of a provision of $466,000 for taxes, $1,147,750 for leases, and $3,000 for other receivables that are considered doubtful, for a total provision of $1,616,750 (2010– $1,691,000).

5. Unearned Revenue

Unearned revenue of $1,583,634 (2010 – $1,546,000) represents Crown land leases collected by the Ministry of Environment from third parties and paid to NMTA relating to future periods.

6. Advance Payments

Advance payments represent the balance of the payments received to be allocated against future expenditures. The NMTA entered into various agreements to fund two programs:
The Northern Water and Sewer program. Many water and sewer municipal projects are jointly funded between the Provincial and Federal Government, NMTA, Aboriginal Affairs and Northern Development Canada, and the community itself whereby advance payments are received by the NMTA for future water and sewer project costs; and,
The Planning for Growth Northern Capacity Building program. Cost shared planning services will be provided to northern municipalities to facilitate the development of their official community plans (OCP's) and zoning bylaws. Program funding is received in advance from the Province and also from local municipalities to ensure their commitment to the program.

7. Accrued Landfill Decommissioning

The Environmental Management and Protection Act, 2002 (Saskatchewan) sets out regulatory requirements to properly close and maintain all active and inactive landfill sites. Environmental laws require decommissioning care of solid waste landfill sites. Decommissioning and the post decommissioning requirements include the covering and landscaping of the landfill, ongoing environmental monitoring, and maintenance.

At December 31, 2011, NMTA has accrued an estimated amount of $250,000 (2010 - $245,000) for decommissioning and post decommissioning care for 15 landfill sites in NSAD. The estimated accrual is based on the total estimated landfill capacity and the accumulated capacity used at December 31, 2011. Management estimates that the total cost to decommission landfill sites in NSAD will amount to $650,000 (2010 - $650,000) based on future cash flow discounted at three per cent.

The estimated remaining capacity of the 15 landfills in NSAD ranges from 0 to 43 years. On average these landfills have 1.5 hectares available for use.

8. Revenues Collected for Others

(thousands of dollars)	**2011**	**2010**
School taxes due to school division	161	175
Municipal taxes collected due to hamlets	11	10
Total Revenues Collected for Others	172	185

9. Tangible Capital Assets

Tangible capital and other non-financial assets are accounted for as assets because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities unless they are sold. Capital work in progress relates to water and sewer and other infrastructure building expenses that are not completed. These costs are capitalized under work in progress until they are fully operational.

(thousands of dollars)	2011						2010
	Buildings	**Machinery & Equipment**	**Other**	**Water & Sewer**	**Capital Works in Progress**	**Total**	**Total**
Opening cost	5,112	2,420	589	9,115	60	17,296	17,133
Additions	48	64	72	29	–	213	292
Disposals and write-downs	(76)	(67)	(1)	(5)	(60)	(209)	(129)
Closing cost	5,084	2,417	660	9,139	–	17,300	17,296
Opening accumulated Amortization	3,923	1,960	402	5,471	–	11,756	11,378
Annual amortization	80	83	36	297	–	496	507
Disposals and write-downs	(48)	(60)	(2)	(2)	–	(112)	(129)
Closing accumulated amortization	3,955	1,983	436	5,766	–	12,140	11,756
Net Book Value of Tangible Capital Assets	1,129	434	224	3,373	–	5,160	5,540

10. Budget

The NMTA 2011 budget was approved on December 31, 2010, by the Minister of Municipal Affairs.

11. Municipal Services

(thousands of dollars)	2011		2010
	Budget	Actual	Actual
General government	999	753	1,865
Utilities operating cost	939	847	819
Recreation and cultural	268	235	240
Environmental	292	262	194
Transportation services	609	476	559
Protective services	73	47	46
Total Municipal Services	3,180	2,620	3,723

12. Related Party Transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, Ministries, agencies, boards and commissions related to NMTA by virtue of common control by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled on normal trade terms. The following table summarizes the routine related party transactions for the year:

(thousands of dollars)	**2011**	**2010**
Expense		
Water and sewer transfers	516	543
General government	526	1,218
Accounts Receivable		
Water and Sewer Infrastructure and other	3,543	569
Lease receivable	3,585	332

In addition, NMTA pays provincial sales tax to Saskatchewan Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other transactions with related parties and amounts due to or from them are described separately in the financial statements and notes.

Transfer from related parties during the year:

(thousands of dollars)	**2011**	**2010**
Ministry of Municipal Affairs	18,758	12,498
Ministry of Advanced Education, Employment and Immigration	42	38
Saskatchewan Lotteries Trust Fund for Sport, Recreation and Culture	12	16
Grants in lieu from Saskatchewan ministries and agencies	52	47
	18,864	12,599

The Ministry of Environment is responsible for administering Crown land within NSAD. Therefore, Crown land is not reflected on the Statement of Financial Position. However, in accordance with *The Northern Municipalities Regulations* and the Act, NMTA is entitled to receive all proceeds from Crown land sales and leases within the NSAD.

13. Contractual Obligations

As at December 31, 2011, NMTA has entered into contracts to fund northern water and sewer, capital grant and northern subdivision projects through 2012. These obligations total $8.0 million (2010 – $6.4 million).

14. Expense by Object

(thousands of dollars)	2011		2010
	Budget	Actual	Actual
Transfers	29,977	30,986	19,250
Northern subdivision development	2,038	543	830
Wages and benefits	680	608	516
Administration	116	87	94
Maintenance, materials and supplies	1,040	848	877
Contractual services	883	776	1,087
Utilities	342	345	300
Amortization	474	496	507
Loss on disposal of tangible capital assets	--	46	2
Bad debt expense	50	39	45
Other expenses	247	20	942
Total Expense by Object	35,847	34,794	24,450

Schedule 1

NORTHERN MUNICIPAL TRUST ACCOUNT
Segmented and Restricted Assets

The NMTA functions as a consolidated fund, provides operating grants, capital grants, and other program funding to northern municipalities. It also serves in a municipal function in the administration of the northern settlements and resort subdivisions. Revenues collected during the year and the accumulated surplus of $10.6 million (2010– $10.1 million) of the northern settlements and resort subdivisions is restricted for their use only and is not available for use by the general account.

Statement of Financial Position
As at December 31
(thousands of dollars)

	2011				2010
	General Account	Northern Settlements	Resort Subdivisions	Total	Total
Financial Assets					
Cash & temporary investments	16,227	4,518	596	21,341	33,331
Other financial assets	8,152	783	11	8,946	1,887
Total Financial Assets	24,379	5,301	607	30,287	35,218
Liabilities					
Grants payable	6,345	–	–	6,345	4,960
Unearned revenue	1,584	–	–	1,584	1,546
Other liabilities	759	393	59	1,211	1,685
Total Liabilities	8,688	393	59	9,140	8,191
Net financial Assets	15,691	4,908	548	21,147	27,027
Non financial Assets	45	4,957	203	5,205	5,585
Accumulated Surplus	15,736	9,865	751	26,352	32,612

Statement of Operations and Accumulated Surplus
For the year ended December 31
(thousands of dollars)

	2011				2010
	General Account	Northern Settlements	Resort Subdivisions	Total	Total
Revenue					
Transfers	17,715	1,667	1	19,383	14,094
Lease fees	4,184	51	–	4,235	4,331
Taxation	2,443	50	201	2,694	2,641
Utility and fuel sales	–	756	–	756	747
Interest and investment	388	165	13	566	783
Land sales	538	–	–	538	637
Other	89	222	5	316	164
Total Revenue	25,357	2,911	220	28,488	23,397
Expense					
Transfers	30,986	–	–	30,986	19,250
Northern residential subdivision	543	–	–	543	830
Municipal services	579	1,799	242	2,620	3,723
Fuel operating costs	–	600	–	600	597
Bad debt expense	–	35	4	39	45
Landfill decommissioning	–	5	1	6	5
Total Expense	32,108	2,439	247	34,794	24,450
(Deficit) surplus	(6,751)	472	(27)	(6,306)	(1,053)
Accumulated surplus, beginning of year	22,441	9,393	778	32,612	33,699
Prior period errors: accumulated amortization	19	–	–	19	–
Recovery (write down) of accounts receivable	27	–	–	27	(34)
Restated accumulated surplus, beginning of year	22,487	9,393	778	32,658	33,665
Accumulated Surplus, End of Year	15,736	9,865	751	26,352	32,612